

## Message Text

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42

ACTION EB-07

INFO OCT-01 ISO-00 AF-06 ARA-10 EA-10 EUR-12 NEA-09 IO-10

SS-15 SP-02 L-02 H-02 NSC-05 CIAE-00 INR-07 NSAE-00

PA-02 USIA-15 PRS-01 STR-04 COME-00 AGR-10 TRSE-00

AID-05 IGA-01 OMB-01 CIEP-02 TAR-01 OIC-02 ( ISO ) W

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P R 181713Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 0343

INFO AMEMBASSY CANBERRA

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BUJUMBURA

AMEMBASSY BOGOTA

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY ADDIS ABABA

AMEMBASSY ACCRA

AMEMBASSY GUATEMALA

AMEMBASSY CONAKRY

AMEMBASSY PORT AU PRINCE

AMEMBASSY TEGUCIGALPA

AMEMBASSY NEW DELHI

AMEMBASSY JAKARTA

AMEMBASSY KINGSTON

AMEMBASSY NAIROBI

AMEMBASSY MONROVIA

AMEMBASSY MEXICO

AMEMBASSY MANAGUA

AMEMBASSY YAOUNDE

AMEMBASSY BANGUI

AMEMBASSY COTONOU

AMEMBASSY LIBREVILLE

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AMEMBASSY ABIDJAN



AMEMBASSY TANANARIVE  
AMEMBASSY LOME  
AMEMBASSY PANAMA  
AMEMBASSY ASUNCION  
AMEMBASSY LIMA  
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AMEMBASSY KIGALI  
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AMEMBASSY PORT OF SPAIN  
AMEMBASSY CARACAS  
AMEMBASSY KINSHASA  
AMEMBASSY LAGOS  
USMISSION GENEVA  
USMISSION EC BRUSSELS  
AMEMBASSY LA PAZ

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: COFFEE: US SUBMISSION TO WORKING GROUP ON  
ON NEGOTIATION OF NEW AGREEMENT

1. US DEL TO WORKING GROUP (WG) ON NEGOTIATION OF A NEW ICA SET FORTH SOME IDEAS AND SUGGESTIONS FOR A NEW ICA TO THE WG IN AN ORAL PRESENTATION APRIL 15. THESE POINTS LATER CONFIRMED IN WRITTEN COMMUNICATION TO EXECUTIVE DIRECTOR OF ICO FOR DISTRIBUTION ALL MEMBERS. BOTH ORAL AND WRITTEN PRESENTATIONS MADE CLEAR THAT SUGGESTIONS ARE INTENDED AS US CONTRIBUTION TO STIMULATING DISCUSSION OF ALTERNATIVE APPROACHES TO A NEW ICA AND ARE NOT REPEAT NOT A FIRM "TAKE IT OR LEAVE IT" US POSITION. ON THE CONTRARY, US WELCOMED A THOROUGH EXAMINATION OF THE CONCEPTS SUGGESTED TO DETERMINE THEIR TECHNICAL FEASIBILITY AND IMPLICATIONS FOR THE WORLD COFFEE ECONOMY.

2. US SUGGESTIONS ARE SUMMARIZED BELOW FOR POSTS' BACKGROUND AND INFO. (COPIES OF SUBMISSION BEING UNCLASSIFIED

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POUCHED.) IT IS NOT INTENDED THAT POSTS TAKE ANY INITIATIVES IN RAISING OR ATTEMPTING TO PROMOTE THESE SUGGESTIONS WITH HOST GOVERNMENTS. OUR POSITION IS FLEXIBLE AND OUR IDEAS ARE SUBJECT TO MODIFICATION AFTER TECHNICAL REVIEW BY THE WG. IT IS ESSENTIAL THAT TECHNICAL DISCUSSIONS AND NEGOTIATION OF A NEW ICA BE FOCUSED IN ICO FORUM IN LONDON. POST REPORTING ON HOST GOVERNMENT AND LOCAL PRESS REACTIONS TO THE LONDON



NEGOTIATIONS WOULD BE APPRECIATED.

3. US SUGGESTS EXPORTING COUNTRY MARKET SHARES BE ALLOCATED IN TWO PARTS: FIXED SHARES AND VARIABLE SHARES. FIXED COUNTRY SHARES, EXPRESSED IN PERCENTAGES CORRESPONDING TO ACTUAL SHARE OF EACH EXPORTING MEMBER IN EXPORTS DURING REPRESENTATIVE PERIOD SUCH AS LAST FIVE YEARS, WOULD APPLY TO 80 PERCENT OF GLOBAL ANNUAL EXPORT QUOTA. FIXED SHARES ARE FOR LIFE OF AGREEMENT. VARIABLE SHARES WOULD CORRESPOND TO EACH EXPORTING MEMBER'S PROPORTIONATE SHARE IN TOTAL VERIFIED EXPORT-ABLE STOCKS AT END OF THE ANNUAL COFFEE CYCLE. STOCKS WOULD BE VERIFIED ANNUALLY BY THE EXECUTIVE DIRECTOR. VARIABLE SHARES WOULD BE DETERMINED ANNUALLY AND APPLIED TO 20 PERCENT OF THE GLOBAL ANNUAL EXPORT QUOTA.

4. GLOBAL ANNUAL EXPORT QUOTAS WOULD BE ESTABLISHED ANNUALLY BY THE COFFEE COUNCIL TO MEET ANTICIPATED ANNUAL DEMAND, BASED ON A NUMBER OF CONSIDERATIONS. INDIVIDUAL COUNTRY ANNUAL QUOTAS WOULD BE DETERMINED BY APPLYING THE FORMULA FOR FIXED AND VARIABLE MARKET SHARES AS DESCRIBED ABOVE.

5. SHORTFALLS, DEFINED AS THE AMOUNT OF AN EXPORTING MEMBER'S DECLARED LACK OF COFFEE TO FULFILL ITS ANNUAL QUOTA, WOULD BE REDISTRIBUTED AMONG OTHER EXPORTING MEMBERS. IF SHORTFALLS NOT DECLARED IN FIRST SIX MONTHS OF COFFEE YEAR, ACTUAL SHORTFALLS WOULD BE

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AID-05 IGA-01 OMB-01 CIEP-02 TAR-01 OIC-02 /142 W

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P R 181713Z APR 75  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC PRIORITY 0344  
INFO AMEMBASSY CANBERRA  
AMEMBASSY BRASILIA  
AMCONSUL RIO DE JANEIRO  
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TREATED AS UNDERSHIPMENTS (WITH CERTAIN EXCEPTIONS SUCH AS CASES OF FORCE MAJURE).

6. UNDERSHIPMENTS OF ANNUAL QUOTA OTHER THAN DECLARED SHORTFALLS, WOULD BE DEDUCTED FROM A COUNTRY'S ANNUAL QUOTA IN THE FOLLOWING COFFEE YEAR (SUBJECT TO A REASONABLE MARGIN FOR ERROR) AND REDISTRIBUTED TO OTHER PRODUCING MEMBERS. TO EXTENT POSSIBLE, REDISTRIBUTION WOULD BE TO SIMILAR TYPES OF COFFEE.

7. THE COFFEE COUNCIL WOULD HAVE AUTHORITY TO ESTABLISH ANNUALLY A TARGET PRICE RANGE CONSISTENT WITH OBJECTIVES OF THE AGREEMENT (I.E. BETWEEN A FLOOR AND CEILING). THE COUNCIL WOULD BE EMPOWERED TO PROVIDE FOR AUTOMATIC ADJUSTMENTS TO ANNUAL QUOTAS BASED ON PRICE MOVEMENTS.

8. THE AGREEMENT WOULD CONTAIN FLOOR PRICE DEFINED AS A GENERAL LEVEL OF PRICES BELOW WHICH MARKET PRICES SHOULD NOT DECLINE (I.E. SIMILAR TO 1962 AND 1968 ICAS). THIS GENERAL LEVEL COULD BE REVIEWED PERIODICALLY BY THE COUNCIL AND ADJUSTED, AS APPROPRIATE, TO TAKE INTO UNCLASSIFIED

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ACCOUNT CONSUMPTION AND PRODUCTION TRENDS, STOCK LEVELS, THE INFLUENCE OF WORLD INFLATION OR DEFLATION OR OTHER FACTORS WHICH MIGHT AFFECT THE ACHIEVEMENT OF THE OBJECTIVES OF THE ICA. THE CEILING, WHICH WOULD PROBABLY BE ESTABLISHED AT A TRIGGER LEVEL OF X CENTS ABOVE THE MINIMUM, COULD BE DEFENDED BY USE OF AN INTERNATIONAL GUARANTEE STOCK OR BY SUSPENSION OF QUOTAS. THERE IS NO REALISTIC WAY TO DEFEND A FLOOR EXCEPT BY QUOTA CUTS TO RESTRICT SUPPLY.

9. THE INTERNATIONAL GUARANTEE STOCK IDEA (PREVIOUSLY SUGGESTED BY BOTH FRANCE AND BRAZIL) WOULD CONSIST OF 10 MILLION BAGS; BOUGHT FROM PRODUCERS FOR ROUGHLY \$30 PER BAG PRO RATA WITH THEIR QUOTAS. IN US VERSION IT WOULD BE FINANCED BY A TWO DOLLAR PER BAG LEVY ON EXPORTS. IGS WOULD BE RELEASED AUTOMATICALLY FOR SALE TO THE MARKET WHEN PRICES REACHED A PREDETERMINED LEVEL (X CENTS ABOVE THE MINIMUM). QUOTAS WOULD BE SUSPENDED WHEN THE IGS HAD INSUFFICIENT STOCKS TO DEFEND CEILING OR WHEN PRICES BROKE THROUGH THE CEILING FOR AN ESTABLISHED TIME PERIOD. (THE WHOLE QUESTION OF AN IGS NEEDS CONSIDERABLE TECHNICAL STUDY AND US DEL HAS PROPOSED AN AD HOC GROUP OF EXPERTS BE ESTABLISHED TO REVIEW IT.)



10. US ALSO SUGGESTS INCLUSION OF PROVISIONS SIMILAR TO 1968 ICA TO DEAL WITH PROCESSED COFFEE AND ESTABLISHMENT OF A CONTROL SYSTEM. MAJOR PROBLEM REMAINS IN DEVELOPMENT OF ACCURATE AND RELIABLE INDICATOR PRICE(S) FOR FUNCTIONING OF SYSTEM FOR AUTOMATIC ADJUSTMENT OR SUSPENSION OF QUOTAS.

11. RESUME OF REACTIONS OF OTHER MEMBERS OF WG TO US SUGGESTIONS WILL BE REPORTED SEPTEL.

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENTS, COFFEE, NEGOTIATIONS  
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**Copy:** SINGLE  
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**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Comment:**  
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**TAGS:** ETRD, EAGR  
**To:** STATE  
**Type:** TE  
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